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No. NSDD 66

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November 29, 1982

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE ATTORNEY GENERAL
THE SECRETARY OF COMMERCE
THE SECRETARY OF ENERGY
THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
THE DIRECTOR OF CENTRAL INTELLIGENCE
THE UNITED STATES REPRESENTATIVE TO THE UNITED NATIONS
THE UNITED STATES TRADE REPRESENTATIVE
THE CHAIRMAN, JOINT CHIEFS OF STAFF

SUBJECT: East-West Economic Relations and Poland-related Sanctions (U)

The President has approved the attached National Security Decision Directive on East-West Economic Relations and Poland-related sanctions. This is a modification of an earlier version dated November 16, 1982, which should be destroyed. The purpose of this modification is to prescribe in more detail the organizational arrangements specified in the paragraph on "Preparations within the U. S. Government." (U)

FOR THE PRESIDENT:

William P. Clark

Attachment
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THE WHITE HOUSE

WASHINGTON

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November 29, 1982

NATIONAL SECURITY DECISION
DIRECTIVE NUMBER 66

EAST-WEST ECONOMIC RELATIONS AND POLAND-RELATED SANCTIONS (U)

I have reviewed the "Summary of Conclusions" of the consultations with our Allies conducted by Secretary Shultz of which a copy is attached. This framework agreement establishes the security-minded principles that will govern East-West economic relations for the remainder of this decade and beyond. In putting these principles into practice, the Allies have committed themselves to immediate actions on the key elements of East-West trade including: agreement not to sign or approve any new contracts for the purchase of Soviet gas during the urgent study of Western energy alternatives; agreement to strengthen the effectiveness of controls on high technology transfer to the USSR, including examination of the necessity of multilateral controls on critical oil and gas equipment and technology; and agreement to harmonize export credit policies. It is my goal that firm allied commitments emerge from the studies in each of these major categories in the next few months and that the resulting common policies will be substantially agreed by the time of or before the Williamsburg Economic Summit presently scheduled for May 1983. The principal objectives of the United States during these studies are as follows: (S)

1. An agreement that countries participating in the agreement will not commit to any incremental deliveries of Soviet gas beyond the amounts contracted for from the first strand of the Siberian pipeline; not commit themselves to significant incremental deliveries through already existing pipeline capacity; and participate in the accelerated development of alternative Western energy resources, principally Norwegian gas reserves. To accomplish this objective, the U.S. should undertake intensive work with our Allies and within the IEA/OECD to encourage development of these Western alternatives and to encourage that adequate safety net measures are adopted to protect against a shutoff of Soviet gas. (S)

2. An agreement to add critical technologies and equipment to the COCOM list, harmonize national licensing procedures for COCOM, and substantially improve the coordination and effectiveness of international enforcement efforts. (S)

3. A quick agreement that allied security interests require controls on advanced technology and equipment beyond the expanded COCOM list, including equipment in the oil and gas sector; development of a list of equipment in this category and an effective procedure to control its transfer to the Soviet Union. (S)

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4. An agreement that builds on the recent OECD agreement substantially raising interest rates to the USSR to achieve further restraints on officially-backed credits such as higher downpayments, shortened maturities and an established framework to monitor this process. (S)

Preparations within the U.S. Government

The Senior Interagency Group for International Economic Policy (SIG-IEP) will be responsible for the attainment of U.S. objectives in the context of the work program and studies called for in the "Summary of Conclusions." Interagency working groups will be established under the supervision of the SIG-IEP to develop U.S. positions and strategies for the achievement of these objectives in the four principal areas of U.S. concern. In addition, a working group will be established for an overall study of East-West economic relations in the context of political and strategic considerations. These working groups will submit for approval by the President, through the SIG-IEP, the strategies for attaining U.S. objectives and all U.S. positions for meetings with Allies. The SIG-IEP will report to the President periodically through the Assistant to the President for National Security Affairs the state of progress in attaining the objectives. (S)

The members of the working groups will be as follows:

Energy: International Energy Security Group, Chaired by State
COCOM High Technology: Senior Interagency Group on Transfer of Strategic Technology, Chaired by State
Credits: Treasury (Chair), NSC Staff, State, Commerce
East-West Economic Relations: State (Chair), NSC Staff, Treasury, Commerce, DOD.

Delegations to negotiate with Allies on these subjects will be chaired by a representative of the Department of State and will include representatives from the National Security Council Staff and concerned departments. (S)

Poland-related Sanctions

On the expectation of firm allied commitments in these four areas reflecting U.S. objectives emerging from the work program agreed in the "Summary of Conclusions," I approved the cancellation of the December 30 sanctions on oil and gas equipment and technology to the Soviet Union and the June 22 amendment extending these controls to U.S. subsidiaries and licensees abroad. In addition, I have approved the resumption of case-by-case licensing for commodities under national security controls. Sanctions imposed against the USSR following the invasion of Afghanistan remain in effect, including a presumption of denial for exports of oil and

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gas technology for manufacturing equipment used for exploration and production. This decision was taken because we believe that the framework agreement represented by the "Summary of Conclusions" on an enduring and unified approach to East-West economic relations in a security context represents stronger and more effective measures to advance reconciliation in Poland and addresses our vital long-term strategic and security objectives toward the USSR. (S)

Ronald Reagan

Attachment

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SUMMARY OF CONCLUSIONS (U)

During conversations in Washington between the Secretary of State of the United States of America and representatives of Canada, the Federal Republic of Germany, France, Italy, Japan and the United Kingdom on the subject of East-West relations, in which representatives of the EEC participated, a certain number of conclusions have been reached on behalf of the governments represented. The summary of these follows. (C)

1. They recognize the necessity of conducting their relations with the USSR and Eastern Europe on the basis of a global and comprehensive policy designed to serve their common fundamental security interests. They are particularly conscious of the need that action in the economic field be consistent with that global and comprehensive policy and thus be based on a common approach. They are resolved together to take the necessary steps to remove differences and to ensure that future decisions by their governments on these issues are taken on the basis of an analysis of the East-West relationship as a whole, with due regard for their respective interests and in a spirit of mutual trust and confidence. (S)

2. The following criteria should govern the economic dealings of their countries with the Soviet Union and Eastern European countries:

-- That they will not undertake trade arrangements, or take steps, which contribute to the military or strategic advantage and capabilities of the USSR.

-- That it is not in their interest to subsidize the Soviet economy; trade should be conducted in a prudent manner without preferential treatment.

-- That it is not their purpose to engage in economic warfare against the Soviet Union. To be consistent with our broad security interests, trade with the USSR must proceed, inter alia, on the basis of a strict balance of advantages. (S)

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It is agreed to examine thoroughly in the appropriate bodies how to apply these criteria, taking into account the various economic and political problems involved, with the view to agreeing on a common line of action in the spirit of paragraph one and the above criteria. They will pay due attention in the course of this work to the question of how best to tailor their economic relations with Eastern European countries to the specific situation of each of them, recognizing the different political and economic conditions that prevail in each of these Eastern European countries. (S)

The overall analysis of economic relations with the USSR and the Eastern European countries will touch in particular on the following areas:

-- Strategic goods and technology of military significance (COCOM);

-- Other high technology items;

-- Credit policy;

-- Energy;

-- Agricultural products. (S)

In their analysis of other high technology items, it is agreed to examine immediately whether their security interests require controls, to be implemented in an agreed and appropriate manner, on the export to the Soviet Union and Eastern Europe of advanced technology and equipment to be jointly determined. This immediate examination of whether their security interests require controls, to be implemented in an agreed and appropriate manner, on the export to the Soviet Union and Eastern Europe of advanced technology and equipment will include technology and equipment with direct applications to the oil and gas sector. (S)

In the field of energy, they will initiate a study of their projected energy requirements and dependence upon imports over the next decade and beyond and possible means of meeting these requirements, with particular attention being given to the European energy situation. The study will be conducted under the auspices of the OECD. (S)

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3. As an immediate decision and following decisions already made, they have further agreed on the following:

(a) Building on the conclusions of the High-Level Meeting, they will work together within the framework of the Coordinating Committee (COCOM) to protect their contemporary security interests: the list of strategic items will be evaluated and, if necessary, adjusted. This objective will be pursued at the COCOM Review now under way. They will take the necessary measures to strengthen the effectiveness and responsiveness of COCOM and to enhance their national mechanisms as necessary to enforce COCOM decisions. (S)

(b) It was agreed at Versailles that the development of economic and financial relations with the Soviet Union and Eastern Europe would be subject to periodic ex post review. The necessary procedures for this purpose will be established without delay. Having in mind the criteria in paragraph two above, they will work urgently further to harmonize export credit policies. (S)

(c) They have informed each other that during the course of the study on energy requirements, they will not sign, or approve the signing by their companies of, new contracts with the Soviet Union for the purchase of natural gas. (S)

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